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March 14, 2002

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VIA FEDERAL EXPRESS: 7917 9536 7620

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RECEIVED
TN REG. AUTHORITY

MAR 15 2002

ENERGY & WATER DIVISION

* ALSO LICENSED IN GEORGIA
ALSO LICENSED IN ALABAMA

Re: Electric Power Board of Chattanooga

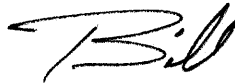
Dear David:

Enclosed is the information compiled by the Electric Power Board of Chattanooga in response to your recent request.

The enclosed audited financial statements are prepared based on the Electric Power Board of Chattanooga's fiscal year. Accordingly, the additional information supplied herein is also based on the fiscal year.

Please contact us if you have any questions or if you need additional information or documentation.

Sincerely yours,



William C. Carriger
For the Firm

WCC:tm
EPB/TEL - #101
Enclosures

RECEIVED

MAR 18 2002

TN REGULATORY AUTHORITY
TELECOMMUNICATIONS DIVISION

EPB Telecommunications

Reporting Requirements

Fiscal Year 2000

INDEX

- a. The name and address of all affiliated divisions.
- b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract
- c. The amount of affiliate transactions by affiliate by account charged
- d. The basis used to record affiliate transactions
- e. Total costs allocated or charged back to each division
- f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division
- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:
 - 1. Property taxes
 - 2. Sales taxes
 - 3. Other State and Local Taxes
 - 4. Federal Income Tax

EPB Telecommunications
Reporting Requirements
Fiscal Year 2000

a. The name and address of all affiliated divisions.

EPB Electric System
P. O. Box 182255
Chattanooga, TN 37422

b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract

Contracts:

Revolving Line of Credit Note to EPB for amounts advanced by the electric system to the Telecommunications Division up to \$18,000,000

Non-Contracts transactions:

Electric service provided to telecommunications facilities

c. The amount of affiliate transactions by affiliate by account charged

- | | |
|---|---------------|
| 1. Loan advanced from EPB to the Telecommunications Division: | \$ 10,448,047 |
| 2. Interest expense on loan from EPB: | \$ 594,089 |
| 3. Electric service to free-standing Telecommunications facilities: | \$ 698 |

d. The basis used to record affiliate transactions

1. Loan advanced from EPB to the Telecommunications Division
Basis: cash value
2. Interest expense on loan from EPB
Basis: highest of prime rate published in *Wall Street Journal*, or earned on invested electric funds
3. Electric service to free-standing Telecommunications facilities
Basis: TVA published rates, commercial classification

EPB Telecommunications
Reporting Requirements
Fiscal Year 2000

e. Total costs allocated or charged back to each division

**Total Allocations to Telecommunications -
FY 2000**

Expenses	Amount FY 2000
Information Technology	100,580.29
Rental - Poles	34,990.68
Building Rental	68,195.93
Corporate Accounting	38,854.41
Annual Audit & Report	1,825.00
Payroll Benefits	164,584.51
EPB Overhead	83,641.54
Telephone Services	<u>376.30</u>
	<u>493,048.66</u>

EPB Telecommunications
Reporting Requirements
Fiscal Year 2000

f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division

1. Information Technology – Costs were allocated based on the labor and mainframe hours used, and on the number of Telecommunications PC's.
2. Rental - Poles - Based on actual number of poles used, their location, and number of feet of conduit used. The dollar charge is the highest EPB charges any outside party for comparable pole attachments.
3. Building Rental - Allocated based on square footage occupied by Telecommunications.
4. Corporate Accounting - Allocated on analysis of accounting functions performed by each employee.
5. Annual Audit & Report – Allocated based on increase in the annual audit fee.
6. Payroll Benefits – Pension, Post-retirement, 401K, Life, Disability, & Workers Comp Insurance, Misc. Employee Benefits allocated based on a payroll ratio calculated using total labor dollars.

Health Insurance – Allocated based on the type of insurance policy taken out by each employee.

Dental Insurance - Allocated based on the number of employees.

7. EPB Overhead – Management and administrative personnel including Human Resources. Allocated based on the General Allocator.

Insurance covering Liability, Property, Comprehensive Dishonesty, General Liability, Auto Liability, Directors & Officers Liability, and Umbrella Excess Liability. Allocated based on the number of employees.

8. Telephones – Allocated based on actual number of phones used by Telecommunications.

EPB Telecommunications
Reporting Requirements
Fiscal Year 2000

- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis**

EPB Telecommunications
Reporting Requirements
Fiscal Year 2000

h. A computation of all tax allocations for regulatory purposes as follows:

1. Property taxes

TAXING DISTRICT	JUNE 30, 1999 NET BOOK VALUE	ASSESSMENT RATIO	1999 TAX RATE	1999 EQUALIZATION RATIO	TAX
CHATTANOOGA	\$ 1,103,725.22	0.55	2.3100	0.8846	\$ 12,404.59
HAMILTON COUNTY	1,103,725.22	0.55	3.5190	0.8846	18,896.87
Total Property Tax	\$ 2,207,450.44				<u>\$ 31,301.46</u>

2. Sales taxes

Capital expenditures	\$ 6,270,773
Material Expenses	<u>133,366</u>
Total	<u>\$ 6,404,136</u>

@ 6.00% State \$ 384,248

Capital expenditures	\$ 6,270,773
Material Expenses	<u>133,366</u>
Total	<u>\$ 6,404,136</u>
Less: Single Article	<u>2,862,583</u>
	<u>\$ 3,541,553</u>

@ 2.25% State \$ 79,685

Total Sales Tax \$ 463,933

EPB Telecommunications
Reporting Requirements
Fiscal Year 2000

3. Other State and Local Taxes

Privilege Tax

Gross Receipts	\$ 91,251
Less: Exempt	<u>5,000</u>
	\$ 86,251

@ Privilege Tax rate	<u>3%</u>
Privilege Tax	\$ 2,588
Credit for Franchise & Excise	<u>19,868</u>
Net Privilege Tax	<u>\$ 0</u>

Franchise, Excise Tax

Franchise, Excise Tax (calculation attached)	<u>\$ 19,868</u>
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4. Federal Income Tax

Federal Income Tax Documentation attached	<u>\$ 0</u>
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